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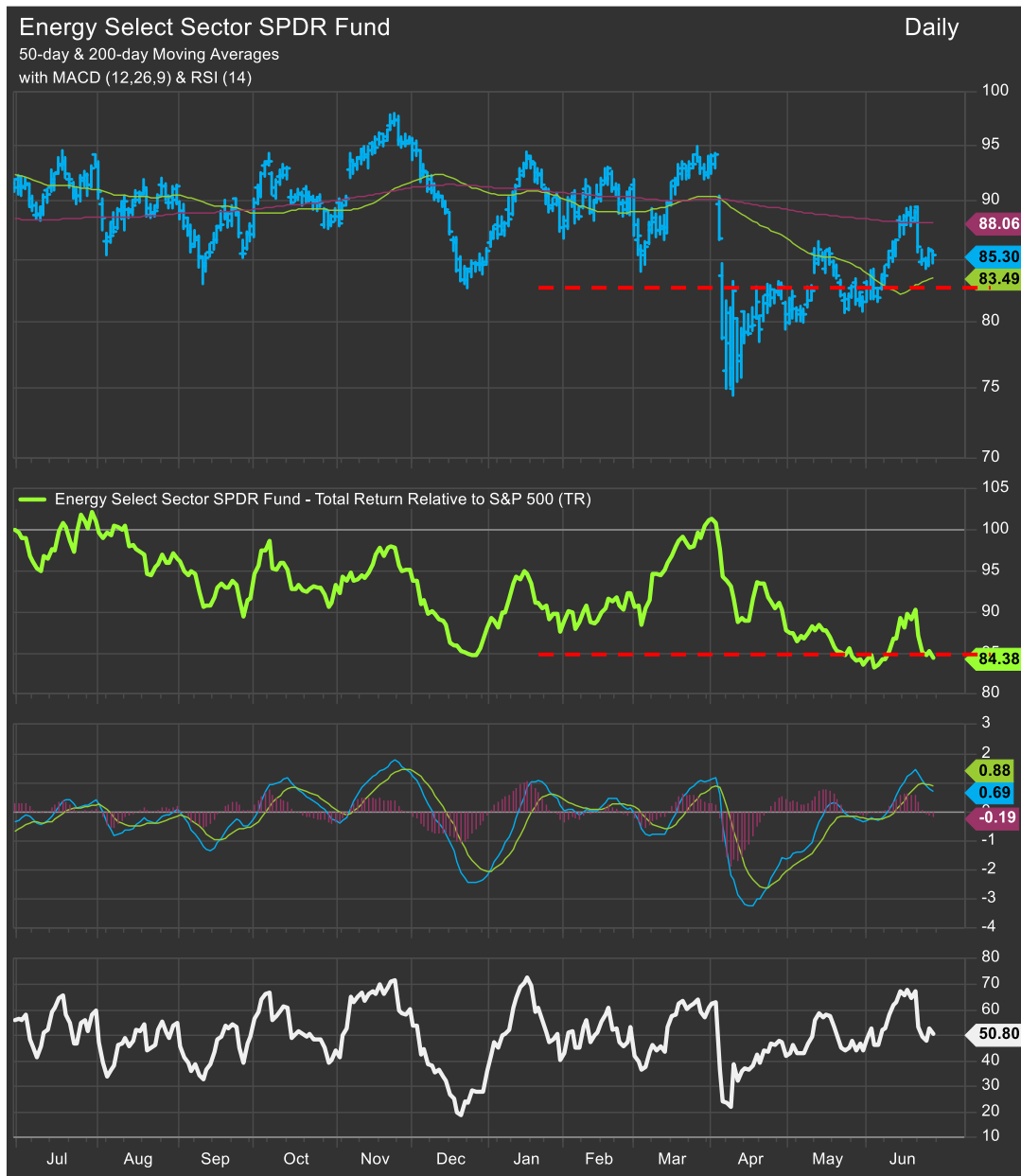
Monthly Insights: July Outlook

Energy Sector

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Sector Price Action & Performance Review: Energy



The energy sector stayed resilient despite global headwinds—buoyed by tight U.S. inventories, cautious OPEC+ coordination, and a still-strong domestic energy narrative. However, tariff risks, EV trends, and geopolitical friction added to volatility.

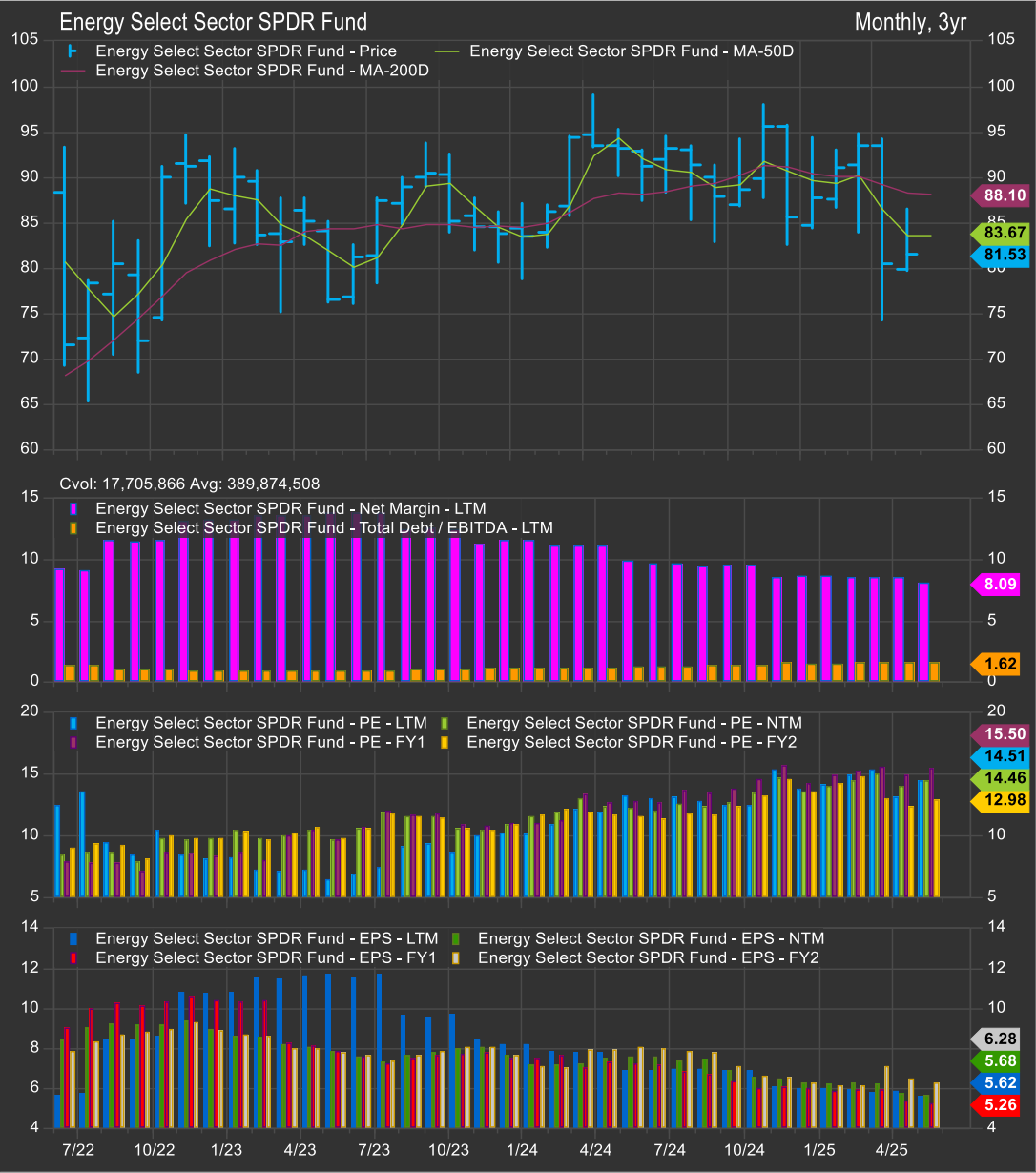
Result the volatile month for the sector which saw prices start out leading the S&P 500 only to retrace almost all of their gains as tune comes to a close. Entering July, Energy stocks are on the ropes, but they do remain in the near-term bullish reversal pattern.

At the stock level upwards pressure on oil prices has put a modest tailwind behind integrated energy names like Exxon and Chevron refiners have also shown some life in the near term on increased investor risk appetite.

Structural and event driven risks remain to the sector with EV integration continuing and opec output increases a potential headwind to performance from domestic oil plays pat said sector starts July at an oversold condition in the near term we are expecting some continued bullish reversal from May's low levels.

We start July with an **OVERWEIGHT** allocation to the Energy Sector of **+1.04%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Energy Sector



The chart (left) shows S&P 500 Energy Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins continue to contract for the sector while debt burden relative to EBITDA ticked higher (chart, panel 2).

Valuation (chart, panel 3) troughed in the middle of 2023 while earnings peaked around the same time. The sector's low relative valuation vs. the S&P 500 is likely an asset.

Consensus forward EPS estimates Have improved modestly over the next two year period.

The best that can be said for the sector is that it is unloved and very under-owned

Industry/Sub-Industry Performance and Breadth: Energy



Energy Industries (chart, left): The sector has traded to YTD relative lows vs. the S&P 500 coincident with Crude trading to fresh cycle lows in May

Oil & Gas Refining was the lone relative gainer at the sub-industry level within the sector

Energy Sector Internals (chart, right): Internals improved on the - near term price action in June, however the strong reading above the 50-day moving average is abetted by a week near term trend heading into the month

Top 10/Bottom 10 Stock Level Performers: Energy

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
TRGP	Targa Resources Corp.	Support	37,828.6	0.85	-10.8	1.5	1.18	4.5
EOG	EOG Resources, Inc.	Consolidation	65,931.1	0.47	-6.5	2.2	0.82	4.4
APA	APA Corporation	Downtrend	6,697.3	0.27	-13.1	3.6	0.96	3.1
XOM	Exxon Mobil Corporation	Consolidation	471,388.3	0.62	-7.9	2.4	0.67	2.2
COP	ConocoPhillips	Downtrend	113,831.5	0.55	-12.5	2.3	0.64	1.7
HES	Hess Corporation	Consolidation	42,979.4	0.79	-10.4	1.0	0.81	1.4
VLO	Valero Energy Corporation	Consolidation	42,185.7	0.66	-1.4	2.2	1.02	1.2
PSX	Phillips 66	Consolidation	48,586.9	0.66	-5.0	2.6	1.24	0.8
CVX	Chevron Corporation	Consolidation	251,114.0	0.66	-11.8	3.1	0.89	0.8
MPC	Marathon Petroleum Corporation	Bullish Reversal	51,430.7	0.69	7.3	1.5	1.00	0.6
DVN	Devon Energy Corporation	Consolidation	20,707.7	0.31	-11.1	2.0	1.07	0.3
EQT	EQT Corporation	Bullish Reversal	34,905.9	0.55	5.3	0.7	1.11	0.1
HAL	Halliburton Company	Downtrend	17,684.3	0.33	-19.5	2.2	1.16	-0.5
CTRA	Coterra Energy Inc.	Consolidation	19,547.1	0.34	-10.2	2.3	1.06	-0.7
WMB	Williams Companies, Inc.	Uptrend	76,520.5	1.10	0.5	2.1	1.02	-0.7
OXY	Occidental Petroleum Corporation	Downtrend	41,924.1	0.60	-15.0	1.5	0.75	-0.8
BKR	Baker Hughes Company Class A	Consolidation	37,707.9	0.61	-13.3	1.6	1.15	-1.2
KMI	Kinder Morgan Inc Class P	Uptrend	64,395.6	0.89	-3.3	2.7	0.90	-1.3
EXE	Expand Energy Corporation	Bullish Reversal	28,310.0	0.48	1.9	1.3	0.63	-1.9
FANG	Diamondback Energy, Inc.	Downtrend	40,836.3	0.42	-14.4	1.9	0.90	-2.4
SLB	Schlumberger Limited	Support	46,259.1	0.43	-17.9	2.2	1.12	-2.8
OKE	ONEOK, Inc.	Support	50,751.4	0.57	-19.3	3.4	1.15	-4.1
TPL	Texas Pacific Land Corporation	Support	24,261.7	#N/A	-22.8	0.4	0.95	-18.3

Reflective of volatility at the top line, stock level themes were virtually nonexistent within the energy sector in June

Integrated names and refiners were among slim out performers in the sector the performance spreads very narrow throughout the month

TPL was a significant decliner vs the S&P 500

Metrics:
(Formulas are in the appendix at the end of the report)

Valuation Multiple Relative to Index
Premium (or discount) to benchmark valuation

Momentum
Long higher scores, short lower scores

Dividend Yield Relative to Index
Higher scores preferred when rates and equities are moving lower

Near-term Overbought/Oversold
Price is >10% away from the 50-day moving average
Above/Below

GREEN|RED
Company scores positively|negatively for Elev8 Sector Rotation Model for April

Economic & Policy Drivers: Energy Sector

Crude Price and Macro Backdrop

WTI crude traded mostly in the **\$74–78 range**, ending June near **\$76**, buoyed at times by **Middle East tensions** and **OPEC+ maneuvering**.

A late-month reversal came after headlines suggested **Saudi Arabia may push for larger output hikes** to reclaim market share, despite ongoing output discipline.

U.S. inventories fell significantly, with a **4.3M barrel draw** reported the week of May 30, offering some support amid demand worries.

Geopolitical Risk: Middle East Flashpoints

U.S. intelligence reports and comments by Defense Secretary Hegseth raised concerns about **Iranian threats toward regional shipping lanes**, driving brief oil spikes.

Trump's phone call with **Russian President Putin** (focused on a response to Ukraine-linked attacks) further underscored instability in global energy corridors.

While tensions didn't escalate into direct supply disruptions in June, **tail risks remain elevated**, particularly in the Strait of Hormuz and Syrian border areas where U.S. base drawdowns are underway.

EV Transition & Global Trade Policy

The **electrification trend** continued to pressure longer-term oil demand forecasts. Tesla reported an **8th straight y/y sales decline in China**, suggesting EV momentum may be plateauing—but industry investment remains committed to the long-term shift.

U.S.–China trade tensions resurfaced, with:

Higher tariffs on key industrial inputs (aluminum, steel) affecting midstream and refining capital cost outlooks.

Retaliatory threats from China around **rare earths and energy technology**.

Onshoring trends continue to favor **U.S.-based energy infrastructure buildouts**,

though there's concern that **export markets could shrink** due to rising protectionism.

Company and Subsector Developments

Upstream Exploration & Production (E&Ps) underperformed late in the month as oil reversed. Names with international exposure remain vulnerable to **tariff-driven demand softening** and **cost inflation**.

Energy Equipment & Services: Mixed results. Capital budgets are cautiously stable, but new project visibility is being challenged by **uncertainty around policy and trade flows**.

Renewables and Transition Plays: Corporate power purchase agreements (PPAs) saw movement, notably **Constellation Energy (CEG)** signing a long-term nuclear-based PPA with **Meta (META)**, showcasing a growing demand for **firm, low-carbon energy** from the AI and hyperscaler segment.

July 2025 Outlook: Watching Oil Inventories, Trade Fallout, and EV Trends

Crude Supply/Demand Balance: Watch for updated DOE data and potential revisions to OPEC+ guidance. Saudi output decisions and U.S. rig counts will be key to short-term pricing.

Geopolitical Risk Premium: Ongoing Iran–U.S. nuclear posturing and Israel–Gaza skirmishes could introduce **volatility spikes**, even without full-scale conflict.

U.S. Energy Exports at Risk: Tariff retaliation—especially from China and the EU—could dampen U.S. LNG and refined product shipments. Trade policy updates ahead of the **July 9 tariff deadline** will be closely watched.

Electrification and Grid Demand: Despite near-term EV softness, **grid-related energy demand continues to rise**, particularly from data centers and AI infrastructure. Utilities and pipeline operators exposed to **domestic electricity growth** may outperform.

Appendix: Metric Interpretation/Descriptions

Valuation Multiple Relative to Index

Higher scores correspond to more expensive earnings than the index, lower scores are cheaper

Valuation Multiple Relative to Index

(Company Price/NTM EPS)/ (Index Price/NTM EPS)

Dividend Yield Relative to Index

Higher scores correspond to higher company dividend yield relative to the S&P 500 Index dividend Yield

Dividend Yield Relative to Index

Company FY1 Rolling Dividend Yield / Index FY1 Rolling Dividend Yield

Momentum

Long higher scores, short lower scores

Momentum (simple mean)

1-Month Excess Total Return (vs. S&P 500) * 0.1

Plus

3-Month Excess Total Return (vs. S&P 500) * 0.3

Plus

6-Month Excess Total Return (vs. S&P 500) * 0.4

Plus

12-month Excess Total Return (vs. S&P 500) * 0.2

Metric Interpretation/Descriptions

Price Structure

We categorize stock chart patterns into 7 categories

Uptrend—Stock exhibits sustained outperformance

Bullish Reversal—Stock has outperformed over the past 3-6 months by > 10% vs. benchmark

Consolidation—Sideways price action, generally a bearish pattern in a bull market

Retracement—A sharp move lower in a previously strong chart

Distributional—A topping pattern

Downtrend—Sustained underperformance, lagging the benchmark by >15% per year

Support—Price has reached a level where major bottom formations or basing has occurred in the past

Basing—A protracted consolidation at long-term support

Deviation from Trend

Intermediate-term: Price % Above/Below 200-day moving average

Near-term: Price % Above/Below 50-day moving average

Overbought/Oversold (We want to sell overbought charts with declining momentum)

Overbought = Stock price > 25% above 200-day m.a.

Oversold = Stock price > 20% below 200-day m.a.

Near-term Overbought/Oversold (Signals depend on trend context)

Overbought = Stock price > 15% above 50-day m.a.

Oversold = Stock price > 15% below 50-day m.a.